

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FEDERAL COMPLIANCE AUDIT REPORT

OF

EAST NOBLE SCHOOL CORPORATION

NOBLE COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
05/04/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Brian A. Leitch	07-01-18 to 06-30-21
Superintendent of Schools	Ann W. Linson	07-01-18 to 06-30-21
President of the School Board	David Desper Dan Beall Barbara Babcock Brent Durbin	07-01-18 to 12-31-18 01-01-19 to 12-31-19 01-01-20 to 12-31-20 01-01-21 to 06-30-21



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE EAST NOBLE SCHOOL CORPORATION, NOBLE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the East Noble School Corporation (School Corporation), for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated April 19, 2021, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

East Noble School Corporation's Response to Findings

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

April 19, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF THE EAST NOBLE SCHOOL CORPORATION, NOBLE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the East Noble School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2018 to June 30, 2020. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. Except as discussed below, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Basis for Qualified Opinion on Child Nutrition Cluster and Title I Grants to Local Educational Agencies

As described in items 2020-002 and 2020-003 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with the Child Nutrition Cluster and Title I Grants to Local Educational Agencies regarding the Eligibility compliance requirement. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Qualified Opinion on Child Nutrition Cluster and Title I Grants to Local Educational Agencies

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Child Nutrition Cluster and Title I Grants to Local Educational Agencies* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster and Title I Grants to Local Educational Agencies for the period of July 1, 2018 to June 30, 2020.

Other Matters

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2020-002 and 2020-003, that we consider to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement. We issued our report thereon dated April 19, 2021, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

April 19, 2021

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

EAST NOBLE SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast			FY 18/19	\$ -	\$ 134,886	\$ -	\$ -
School Breakfast			FY 19/20	-	-	-	108,413
				-	-	-	-
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
COVID-19 - School Breakfast Program			FY 19/20	-	-	-	8,450
				-	-	-	-
Total - School Breakfast Program				-	134,886	-	116,863
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555					
School Lunch			FY 18/19	-	800,737	-	-
School Lunch			FY 19/20	-	-	-	609,520
Commodities			FY 18/19	-	201,444	-	-
Commodities			FY 19/20	-	-	-	101,594
				-	-	-	-
Sub Total - National School Lunch Program				-	1,002,181	-	711,114
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
COVID-19 - National School Lunch Program			FY 19/20	-	-	-	48,799
				-	-	-	-
Total - National School Lunch Program				-	1,002,181	-	759,913
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service			FY 19/20	-	-	-	13,529
				-	-	-	-
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559					
COVID-19 - Summer Food Service Program for Children			FY 19/20	-	-	-	88,470
				-	-	-	-
Total - Summer Food Service Program for Children				-	-	-	101,999
Total - Child Nutrition Cluster				-	1,137,067	-	978,775
Total - Department of Agriculture				-	1,137,067	-	978,775
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
			19611-044-PN01	-	760,001	-	143,535
			20611-042-PN01	-	-	-	503,432
				-	-	-	-
Total - Special Education Grants to States				-	760,001	-	646,967

EAST NOBLE SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Special Education Preschool Grants	Indiana Department of Education	84.173					
			19619-044-PN01	-	23,018	-	-
			20619-042-PN01	-	-	-	24,334
				-	-	-	-
Total - Special Education Preschool Grants				-	23,018	-	24,334
Total - Special Education Cluster (IDEA)				-	783,019	-	671,301
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
			18-6060	-	135,589	-	-
			S010A170014	-	29,828	-	-
			S010A180014	-	321,871	-	141,100
			S010A190014	-	-	-	289,037
				-	-	-	-
Total - Title I Grants to Local Educational Agencies				-	487,288	-	430,137
English Language Acquisition State Grants	Indiana Department of Education	84.365					
			01118-074-PN01	-	6,355	-	66
			S365A180014	-	-	-	21,666
			S365A190014	-	-	-	11,974
				-	-	-	-
Total - English Language Acquisition State Grants				-	6,355	-	33,706
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
			S367A160013	-	41,890	-	-
			S367A170013	-	54,009	-	35,719
			S367A180013	-	-	-	49,473
				-	-	-	-
Total - Supporting Effective Instruction State Grants				-	95,899	-	85,192
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
			S424A170015	-	47,899	-	17,474
			S424A180015	-	16,825	-	15,952
			S424A190015	-	-	-	11,000
				-	-	-	-
Total - Student Support and Academic Enrichment Program				-	64,724	-	44,426
Total - Department of Education				-	1,437,285	-	1,264,762
Total federal awards expended				\$ -	\$ 2,574,352	\$ -	\$ 2,243,537

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

EAST NOBLE SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2019 and 2020. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Special Education Cooperative

The School Corporation is a member of the Northeast Indiana Special Education Cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

EAST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies	Qualified Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2020-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition and Context

There was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to receipts and other financing sources.

Receipts were entered and posted into the financial software by the Deputy Treasurer. There was no oversight or review by another knowledgeable employee to ensure receipts were properly posted to the financial software.

EAST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Transfers were entered into the financial software as a journal entry without proper review procedures in place, except for the reorganization of funds at the beginning of 2019, which were approved in the School Board minutes. Most of the transfers that occurred were from the School Lunch Trust Fund to the School Lunch fund for prepaid school lunch money.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management of the School Corporation had not established a proper system of internal controls related to receipts and other financing sources.

Effect

The failure to establish a system of internal controls could enable misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to financial transactions and reporting for receipts and other financing sources.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

EAST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-002

Subject: Child Nutrition Cluster - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 18/19, FY 19/20
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Eligibility compliance requirement.

Parents submitted applications for the school food program online, and all information was maintained within the meal software program. The School Corporation changed meal software programs in March 2019. After the change, the School Corporation could not access the submitted applications for fiscal year 2018-2019. Therefore, the free and reduced lunch applications for 2018-2019 were not provided for audit, and we were unable to determine the School Corporation's compliance with the Eligibility compliance requirement.

Additionally, the Food Service Director entered the eligibility parameters and school lunch prices into the food service software without a review process in place to ensure the parameters and prices were entered correctly.

The lack of internal controls and supporting documentation related to the free and reduced lunch applications was isolated to 2018-2019. The lack of internal controls over the eligibility parameters and school lunch prices was a systematic issue, which occurred throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

EAST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

Management of the School Corporation had not designed or implemented a system of internal controls to ensure that supporting documentation was maintained and made available for audit, and the eligibility parameters were properly entered into the meal software program.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Eligibility compliance requirement. The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement for 2018-2019.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to the grant agreement and the Eligibility compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

EAST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2020-003

Subject: Title I Grants to Local Educational Agencies - Eligibility
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Numbers): 18-606, S010A170014, S010A180014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Eligibility compliance requirement.

Free and reduced lunch applications were used to determine eligibility for Title I students. Parents submitted applications for the school food program online, and all information was maintained within the meal software program. The School Corporation changed meal software programs in March 2019. After the change, the School Corporation could not access the submitted applications for fiscal year 2018-2019. Therefore, the free and reduced lunch applications for 2018-2019 were not provided for audit, and we were unable to determine the School Corporation's compliance with the Eligibility compliance requirement.

The lack of internal controls and supporting documentation related to the free and reduced lunch applications was isolated to 2018-2019.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

EAST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

Management of the School Corporation had not designed or implemented a system of internal controls to ensure that supporting documentation was maintained and made available for audit, and the eligibility parameters were properly entered into the meal software program related to the Eligibility compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Eligibility compliance requirement. The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement for 2018-2019.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to the grant agreement and the Eligibility compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018- 001

Fiscal year in which the finding initially occurred: 07/01/16 to 06/30/17.

Contact Person Responsible for Corrective Action:

Brian Leitch, Business Manager/ Treasurer
260-347-2502 ext.: 10017

Marcos Reyna, Dining Director
260-347-2502 ext.: 10011

Views of Responsible Official: We concur with finding

Status of Audit Findings:

East Noble School Corporation Food Service Director created a report that will contain the AFR, PLE, Monthly financial reports, Equipment log, Free/ Reduced applications, Verification/ DC applications, etc.

This information will be kept on file and periodically reviewed by East Noble School Corporation Chief Finance & Operations Officer.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018- 002

Fiscal year in which the finding initially occurred: 07/01/16 to 06/30/17.

Contact Person Responsible for Corrective Action:

Brian Leitch, Chief Finance & Operations Officer
260-347-2502 ext.: 10017

Marcos Reyna, Food Service Director
260-347-2502 ext.: 10011

Views of Responsible Official: We concur with finding

Status of Audit Finding:

East Noble School Corporation Food Service Director created a monthly budgetary financial report. We use financial data, to create an accurate representation of all NSLP, NSLB, and Summer program expenses and revenues. This report will also track any revenues that exceed the three-month, expense, threshold.

This information will be kept on file and periodically reviewed by East Noble School Corporation Chief Finance & Operations Officer.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018- 003

Fiscal year in which the finding initially occurred: 07/01/16 to 06/30/17.

Contact Person Responsible for Corrective Action:

Brian Leitch, Business Manager/ Treasurer
260-347-2502 ext.: 10017

Marcos Reyna, Dining Director
260-347-2502 ext.: 10011

Views of Responsible Official: We concur with finding

Status of Audit Finding:

East Noble School Corporation Food Service Director created an Equipment and Property Log for all sites. This log has a legend, that shows what and where the equipment is located, and its value. This log is reviewed every two years by Food Service Manager. Each manager has signed off verifying its accuracy.

This information will be kept on file and periodically reviewed by East Noble School Corporation Chief Finance & Operations Officer.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-004

Fiscal year in which the finding initially occurred: 07/01/16 to 06/30/17.

Contact Person Responsible for Corrective Action:

Brian Leitch, Business Manager/ Treasurer
260-347-2502 ext.: 10017

Marcos Reyna, Dining Director
260-347-2502 ext.: 10011

Views of Responsible Official: We concur with finding

Status of Audit Finding:

Meal Magic software was installed 4/1/2019. This software archives all student and adult, information, related to the NSLP, for five years, also the Financial Activity Report, as well as, the Z-Report will give an accurate representation of all funds collected for student/ adult meals. At the end of each month, a Student Balances report will be generated by the Food Service Director. This report shows the student/ adult balances and will be used to adjust Fund 2970 School Lunch Trust on a monthly basis.

Prepayments will be properly recorded in the Fund 2970 School Lunch Trust and meals charged will be transferred out to Fund 800 School Lunch.

This information will be kept on file and periodically reviewed by East Noble School Corporation Chief Finance & Operations Officer.

CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action:

Brian Leitch, Chief Finance & Operations Officer / Treasurer
260-347-2502 ext.: 10017

Views of Responsible Official: We concur with finding.

Description of Corrective Action Plan:

To strengthen our internal controls regarding the entering, recording, and posting of all receipts and transfers, we have created a weekly report that will be generated by the Deputy Treasurer and provided to the Chief Finance & Operations Officer. Once the CFOO has reviewed the weekly report they will then electronically sign and return to the Deputy Treasurer to house in a digital file. This file will be available for review in future audits.

Anticipated Completion Date: March 14, 2021

Brian A. Leitch
Chief Finance & Operations Officer
April 14, 2021

CORRECTIVE ACTION PLAN

FINDING 2020- 002

Contact Person Responsible for Corrective Action:

Brian Leitch, Business Manager/ Treasurer
260-347-2502 ext.: 10017

Marcos Reyna, Dining Director
260-347-2502 ext.: 10011

Views of Responsible Official: We concur with finding

Description of Corrective Action Plan:

Proper internal controls will be established for the application process starting on 4/13/2021. East Noble School Corporation will be compliant with requirements related to the Eligibility compliance requirement.

Additionally, the Food Service Director eligibility parameters and school lunch prices will be scanned and approved by CFO, Brian Leitch.

The internal controls and supporting documentation related to the Free and Reduced lunch applications will comply with federal regulations and procedures. All online applications will be on file for 5 years.

Anticipated Completion Date: 4/13/2021

Marcos Reyna, Dining Director

4/13/2021

CORRECTIVE ACTION PLAN

FINDING 2020 -003

Contact Person Responsible for Corrective Action:

Brian Leitch, Business Manager/ Treasurer
260-347-2502 ext.: 10017

Marcos Reyna, Dining Director
260-347-2502 ext.: 10011

Views of Responsible Official: We concur with finding

Description of Corrective Action Plan:

Proper internal controls will be established for the application process starting on 4/13/2021. East Noble School Corporation will be compliant with requirements related to the Title 1 Grant agreement.

The internal controls and supporting documentation related to the Free and Reduced lunch applications will comply with federal regulations and procedures. All online applications will be on file for 5 years.

Anticipated Completion Date: 4/13/2021

Marcos Reyna, Dining Director

4/13/2021

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.